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Surplus Question.

The Resident's report has already reached the Office. The papers, however, have not yet been put up before the Secretary. I had a brief talk with Mr. Thomson on the subject. He has kindly promised to let me know when papers are ready for consideration when he will give me an opportunity to talk the matter over. It is expected that the papers will be put up in a fortnight's time.

So far the Department's views are

1. The so-called Lord Hardinge's promise or declaration means that the Durbar are entitled to the Surplus money. As to the definition of the Surplus -i.e., what kind of expenditures are to be deducted from the gross income before any surplus is determined, is not given.

There are precedents to show how this should be done calculated. It should be done according to the proforma accounts, already prescribed and followed in calculating payments actually made in the past.

2. The expenditure, both in amount and kind, is daily increasing, hence no past precedent can usefully be put forward.

2. Income too is likewise increasing. This is really no argument against the proposal. Surely, all this was fully considered before the offer was made by Government of India. The Durbar cannot believe that Government of India seriously contemplate withdrawing an offer so deliberately made to them.

3. The offer of the Government viz., 12 lakhs for the past three years arrears, and 4 lakhs per annum for the future - is one interdependant on each other and not two separate parts as the Durbar seem to have taken.

Refusal of one means refusal of the other.

Therefore, the offer is considered to be cancelled.

No -as it was all in the course of negotiations as we took care to point out in our letter to Col. Knox. Government of India are morally bound by their original offer and cannot whittle it down in the least.

A powerful Government like that of the Government of India ought to have a good conscience in their dealings with a weak party like Mysore.

The department so far thinks that there is no need to be for any fixed sum to be in future. The periodical quinquinall figures may be taken and actual surplus money after deducting all <u>expenditure</u> may be paid to the Durbar.

It was pointed out that the aforesaid arrangement may be a source of permanent friction between the Government and the Durbar, as it would be very difficult to determine what kind of expenditure is justifiable; for looking at the large surplus sum the authorities may like to introduce new expensive schemes which may be far ahead from what may have been done in other parts of India. In connection with this, as was authorised by you, it was suggested to consider the feasability of fixing the surplus amount at 25 per cent of the gross income.

As you had told me that the Durbar would be prepared to accept 15 lakhs for the past three years, I suggested that the Durbar think that at present there is an accumulated sum of about 30 lakhs after defraying all the expenditure and that they would not be treating their people fairly if they would accept anything less than at least the half of the actual surplus in hand. And that in doing so the Durbar

This is just the point. It would mean more worry and correspondence to both. In any case, the question cannot now be re-opened for discussion.

It is, perhaps, better not to put this proposal forward at this stage, but to press for the payment of the whole of the accumulated arrears, hoping that endeavours may be made to arrive at a solution on the following lines as speedily as possible:-

The amount of annual recurring payment suggested by the Government of India, namely 4 lakhs be paid to the Durbar with effect from the current year and payments made regularly therefor in future, on account of the past 3 years or also, let a sum of 15 lakhs be paid at once, the <u>question of a further payment on this account being reserved for further discussion.</u>

Please see whether it would be politic to make even this suggestion just now. Mr Barton seems inclined to suggest payment of more than 12 lakhs on account of accumulated arrears. As I have stated in the covering letter, it seems to me, therefore, more politic that you should confine yourself for the present to re-iterating

would be making a bid sacrifice merely to make it convenient for the Government to carry out any programme of improvements in case there may be any. This was a brief and a sort of a personal talk. The matter will have to be discussed in its details when the file is put up before the Secretary.

Detailed instructions may kindly be given in this.

It should be distinctly understood that the provisional acceptance of 15 lakhs by the Durbar for the past 3 years should not prejudice them in any way in the discussion as regards further amounts due for the period, the decision as regards that being based solely on the consideration as to what was due for these years under orders and understandings existing at the time the amounts fell due.

This will mean that the major question of recurring payment will be finally disposed of and the minor question of the 3 years' accumulated Surplus partially settled. Only a comparatively small question will remain open for further discussion. An assurance from the Government of India as regards further discussion is essential.

All this for your private information only

the demands that we have made from this end, and not to make any fresh proposals.

I trust I have made my meaning quite clear to you.